Operation Pay Care
Prepared Remarks of U.S. Attorney Preet Bharara
August 10, 2010

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today we announce public corruption charges against 11 individuals, in connection with a massive bribery and fraud scheme involving three different City agencies and a string of day care centers around New York City.

- Four of the defendants are owners and operators of those day care centers.
- The other seven are New York City public officials who worked at three agencies – namely, the Department of Health and Mental Hygiene; the Human Resources Administration; and the Administration for Children's Services.

According to the criminal complaint unsealed today in Manhattan federal court, at the heart of the alleged scheme was a ring of more than 30 day care centers and their owners in Brooklyn and Staten Island, which the defendants nicknamed the "Congregation."

Those centers catered to low-income, working families who sought to provide day care for their children while the parents worked their jobs.

But the defendants allegedly corruptly cheated a public program designed to subsidize those day care costs.

According to the Complaint, over a three year period, the Congregation defendants received more than $18 million in subsidy payments – some for children who never even set foot in any of those day care centers.

How is that possible?

As alleged, they did so with generous bribes – of cash and sometimes jewelry – to a host of City officials so that they would, among other things, issue permits to unqualified centers, overlook serious health and safety violations, and speed up subsidy payments to the owners.

As alleged, City officials were bribed, essentially, to look the other way and grease the gravy train.

What's more, the defendants not only allegedly paid bribes and pocketed false profits, but they also cut corners and, in so doing, may have put hundreds of young children at risk.

If proved, today's allegations demonstrate that the defendants cared far more about their wallets than about the welfare and well-being of the children they were obligated to protect.

Partners

I am joined here today by our partner in this and so many other important public corruption cases: the New York City Department of Investigation, represented by Commissioner Rose Gill Hearn. I want to congratulate and thank the dedicated investigators from DOI who worked tirelessly on this case.

Also joining me today is Jim Hayes, the Special Agent-in-Charge of U.S. Immigration and Customs Enforcement, Office of Homeland Security Investigations, in New York. I want to thank Jim and his team for the important role they played in supporting this operation.

Finally, I want to express my appreciation to the career prosecutors in my office who have conducted this meticulous and thorough investigation: Assistant United States Attorneys Harris Fischman, Michael Bosworth, and Brent Wible, as well as Dan Stein, the Chief of our Public Corruption Unit. And I want to thank our own public corruption investigators – Bob Ryan and Ron Gardella – for their incredibly hard work on this case.

Now let me take a minute to review the crimes charged in today's Complaint.

[EXPLANATION AT CHART]

So, rather than looking out for the children in the City's day care centers, these allegedly corrupt City employees looked out for themselves, pocketing tens of thousands of dollars in bribes from Umarov to perpetuate the fraudulent scheme.

As I mentioned, one troubling part of the scheme involved Umarov and the Congregation's efforts to hide health and safety violations at their centers in order to obtain and keep their permits.

In recent days, City officials have taken steps to inspect the day care centers operated by Umarov and the Congregation. To date, six of these centers have been shut down because of significant violations. These violations have allegedly included, among other things:

- unqualified, uncertified, and inadequate staff
- no records of staff CPR or first-aid training
- no proof of checks against child abuse registries
- emergency exits that were locked or blocked
- cleaning agents and paint in unlocked cabinets
- and at one center, even open bottles of hard alcohol sitting next to children's lunches in the refrigerator

Now, comprehensive inspections of these day care centers continue even as I speak. I want to emphasize that to date the City has not uncovered any evidence that children were actually harmed at these day care centers – so far, they have exposed only the risk of harm.

The parents of children enrolled in the Congregation's day care centers implicated today trusted Lyudmila Umarov and her associates with the care of their children.

But Umarov and her Congregation allegedly betrayed that trust. Not only did they appear to expose these children to hazards, they also allegedly siphoned off millions of taxpayer dollars intended to provide safe, quality child care to deserving parents simply trying to keep their jobs and make ends meet.

And the City officials charged today also allegedly betrayed a trust – one to the public whom they took an oath to serve.

With today's law enforcement action, we start the process of holding them accountable for their conduct.